GROUSE MOUNTAIN RESORTS LTD. ANNUAL REPORT 1970

SKYRIDE


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GROUSE MOUNTAIN RESORTS LTD.

Annual Report 1970

Grouse Mountain Resorts Ltd.

Officers of the Company
ANDREW E. SAXTON, *Chairman of the Board*
JOHN E. HOEGG, *President*
GOWAN T. GUEST, *Secretary*

Directors
DAVID S. BEATTY, *Toronto*
ELWYN E. GREGG, *Vancouver*
JOHN E. HOEGG, *Vancouver*
ARTHUR PHILLIPS, *Vancouver*
PETER PAUL SAUNDERS, *Vancouver*
ANDREW E. SAXTON, *Vancouver*
GEORGE D. SHERWOOD, *Vancouver*

Grouse Mountain Resorts
JOHN E. HOEGG, *President*
JOHN B. STOKES, *General Manager*
KENNETH R. O'NEILL, *Operations Manager*
HARVEY E. OUELLETTE, *Chief Accountant*
MRS. ELIZABETH G. BYRD, *Advertising & Public Relations*
DAVID A. RITCHIE, *Tramway Manager*

Pacific Undersea Gardens
JOHN E. HOEGG, *President*
PETER A. TREDGETT, *General Manager*

Undersea Garden Managers
LESLIE WOOD, *Victoria*
JAMES C. WILLIAMSON, *Newport*
MRS. NORMA B. SAUNDERS, *Crescent City*
MRS. RUTH CASE, *Santa Barbara*

Auditors
Price Waterhouse & Co.

Banks
The Mercantile Bank of Canada
The Bank of Montreal
Wells Fargo Bank
National Security Bank of Oregon
Toronto-Dominion Bank

Solicitors
Robson, Alexander & Guest

Transfer Agent and Registrar
Yorkshire and Canadian Trust Limited

Trustees
National Trust Company, Limited

Offices of the Company
Executive Office: #507 - 1030 West Georgia Street, Vancouver 5, B.C.
Skyride Office: 5100 Capilano Road, North Vancouver, B.C.
Undersea Gardens Office: 490 Belleville Street, Victoria, B.C.

DIRECTORS' REPORT

It's been a disappointing year — adverse weather conditions having curtailed the company's objective of furthering its three year growth trend in traffic, gross revenue and profits. The combination of a "snowless" winter on Grouse Mountain and severe Pacific coastal storms created mid-season financial setbacks that could not be offset by satisfactory operation throughout the balance of the year in either Grouse Mountain Resorts or Pacific Undersea Gardens. The final result, as shown in the attached statement of income and expense, is that the $244,454 pre-tax profit earned in fiscal 1969 has been followed by a pre-tax loss of $13,701 for the year ending May 31, 1970.

Although the merger of Grouse Mountain Resorts and Pacific Undersea Gardens did not take place until June 2, 1969, statements for the two companies have been consolidated for the previous year so that a comparison may be made concerning relative operating performances.

A brief review of the past year reveals that traffic on the Grouse Mountain Skyride at the end of six months was up eight percent over the previous year. The effects of an exceptionally mild winter removed this advantage by February and created a precipitous decline during the last three months. The final year-end total of 290,334 passengers represents a drop of 29,660 from fiscal 1969.

Throughout the decades that records have been maintained on Grouse Mountain, there is not one year that shows an average snow depth lower than the winter of 1969-70. This fact is the main reason for the performance decline documented in this report.

This past winter saw the lower part of the popular "Cut" ski run open for only ten days during the season compared to over 150 days the previous year. Alternate skiing opportunities offered in Blueberry Bowl and off the new peak runs were marginal. Night skiing — although expanded with the addition of new lighting throughout the mountain — was severely limited.

Forced cancellation of a number of programs produced a drop in revenue for Ornulf Johnsen's Grouse Mountain Ski School. The ski shop also suffered a setback, as did the Chalet, which had been completely redecorated as the "Outpost" discotheque in anticipation of major après-ski activity.

Revenue realized through operation of the various food outlets came closer to initial budget expectations, a result of the concentration of income during the summer months for the Grouse Nest Restaurant and the Alpine Cafeteria. Similarly, the souvenir shop, the Canadiana Room and the Grouse Gallery achieved acceptable results although servicing fewer people than in fiscal 1969.

While previous interim reports have diarized the various capital projects throughout the year, it is worth noting that a total of $674,000 was spent on expansion (i.e. peak chairlift, Cut T-bar, portable handle tow, night lighting, restaurant facilities, etc.), in addition to the already sizeable investments made each year since the opening of the Skyride in 1966. The mountain's lift system now consists of twelve units, namely one aerial tramway, four chairlifts, two T-bars, two handle tows and three rope tows. These extensive assets are complemented by several buildings, four snow grooming vehicles, rolling stock, maintenance workshops and a utility support system of electricity, telephone and sewer lines. There is even a $25,000 filtration plant — installed this past year to assure crystal-clear mountain water for the quarter million people who visit Grouse each year.

In 1970 Grouse achieved the highest point of acclaim in the mountain's skiing history by hosting Canada's only World Cup race, the duMaurier International. Pictures incorporated with this report highlight the excitement of this event, acclaimed by competitors, officials and the press as the finest race on the 1969-70 World Cup circuit.

The massive assignment of transporting millions of dollars of communications equipment on and off the site allowed the race to be carried live, in colour, throughout the world by satellite. While literally thousands of international newspaper and magazine articles drew favourable reference to the mountain, it was a Canadian sports writer who, while summarizing the 1969-70 highlights in world skiing, paid your company one of its more significant compliments with the observation:

"There was the magnificently run and organized duMaurier, at Grouse Mountain, Vancouver, where those responsible overcame fantastic odds with regard to snow conditions and turned what could have been a disastrous situation into one of the best International ski meets we have witnessed outside the Olympic Games."

The duMaurier International, coupled with the company's satisfactory financial trend up to this event, motivated the prestigious New York industry publication, Ski Area Management, to commission an in-depth study of the company last fall that led to a feature story about Grouse Mountain Resorts in their summer 1970 edition. A reprint is attached to this report. The mountain is also included in a new book by ski writer, Abby Rand, entitled "Ski North America: Your Guide to the Top 28 Resorts". Finally, it should be mentioned that your company's many promotional and advertising assignments, from the develop-

ment of creative brochures and billboards to the hosting of renowned personalities and the presentation of appropriate press releases, included this year's first place booth award at the annual Vancouver Ski Fair.

Turning to Pacific Undersea Gardens, any review of this company's performance must first take into account that the gardens operate in four separate cities (Victoria, B.C.; Newport, Oregon; Crescent City, California and Santa Barbara, California) and are therefore subject to differing factors of economic climate, resident and tourist traffic, competition, weather, etc. Accordingly, while your company's first year in this business cannot be termed satisfactory, closer inspection suggests that the isolation of certain problem areas will lead to improved performance in fiscal 1971.

Interim reports have detailed the difficulties inherent in completing the relocation of the Seattle garden to Northern California, an assignment left to your company to implement following the June 2 merger of the two companies. The legal, engineering and technical complications of installing the garden in the harbour at Crescent City produced months of delay and frustrations, with the result that the company missed the summer tourist season, and with it, any chance for a profit in this fiscal year. To compound the problem, damage from severe winter storms necessitated shutdown for several months while protective steel walls and a rock breakwater were erected around the unit. Thus, official opening ceremonies were not held until June 30, 1970 — well into out next fiscal year. Accordingly, while this unit is now fully constructed and functioning efficiently, its first year produced a sizeable loss that eliminated the positive results achieved at Newport and Victoria.

Oregon Undersea Gardens has operated successfully since it opened on July 9th, 1966. Earnings in fiscal 1970 were below the previous year as a result of the same series of winter storms that hit Crescent City. Shutdown in this case was limited to a few weeks as a result of alert action by management. Nevertheless, vessel and breakwater repairs, plus the restocking of the fish display produced an unusually high level of expenditures. The business is held in high regard within the city of Newport and relations with Lincoln Development Company, our minority partners, are excellent. Continued progress should be expected.

The undersea garden in Victoria's Inner Harbour is the newest, and largest in the system, incorporating the world's only undersea theatre and the new "bubble curtain" to add to the excitement of the diver show. Here again, expansion of the old vessel and its relocation from the former site at Oak Bay fully occupied management and thus reduced the time available for advertising and promotion activities, so essential in the competitive tourist environment of Victoria. The slow winter period was used to complete interior and exterior renovations, to organize a number of educational school group visits, and to lay plans for promotion during the 1970 summer season, the results of which, at this early stage, appear most encouraging. Incorporation of this unit as part of the overall Princess Promenade development project leads your directors to feel that it will parallel Newport as a continuing successful business enterprise.

Income from the garden in Santa Barbara, California, is generated through a franchise contract. This most attractive unit, like the entire city of Santa Barbara, unfortunately has experienced a reduction in visitor traffic as a result of the much publicized oil slick problem off the California coast. Also, like most leisure-time businesses in North America, it has participated in the general economic slow-down. While the summer of 1970 saw a stabilization in business, management has indicated that recovery for the garden and for the city will be slow.

Tight money and high interest costs have produced a delay in construction start-up for the garden in San Juan, Puerto Rico. However, engineering studies are continuing for this and for other franchise contacts recently established as possible undersea garden locations, in North America, Europe and the Orient.

Referring again to the consolidated statement of earnings and deficit, shareholders will note that the company and its subsidiaries are in the unusual position of recording income tax charges of $39,377 although operating at a loss — a result of Canadian income tax law preventing the losses in one company (Pacific Undersea Gardens) to be offset against the profits in another (Grouse Mountain Resorts). While there is thus no current tax relief, these losses can be applied as reductions to taxable incomes of future periods. As a result of the entry, the fiscal 1970 loss of one cent per share is increased to four cents per share, compared to a profit of 25 cents per share in fiscal 1969.

Although fiscal 1970 operating results have been unsatisfactory, review of the balance sheet will show the company's financial position to have been materially strengthened throughout the year as a result of a private placement of 300,000 common shares to institutional investors, the conversion of $73,000 of 7% debentures into 31,463 common shares and the issuance of 38,096 6% first preference shares and 37,080 common shares in consideration of capital development expenditures, which together added eighty percent to the dollar value of the shareholders' equity section of the balance sheet.

During the year, a total of $360,000 was paid towards long term debt obligations in Canada, the United States and Europe, leaving the company in a sound position to refinance the $400,000 balance remaining on the original five year $800,000 term bank loan due in December 1970. Negotiations concerning this matter are currently in progress.

Close examination of the assets comprising the balance sheet reveals significant factors that, in spite of this past year's experience, justify certain optimism when considering future years' performance.

Note that your company:

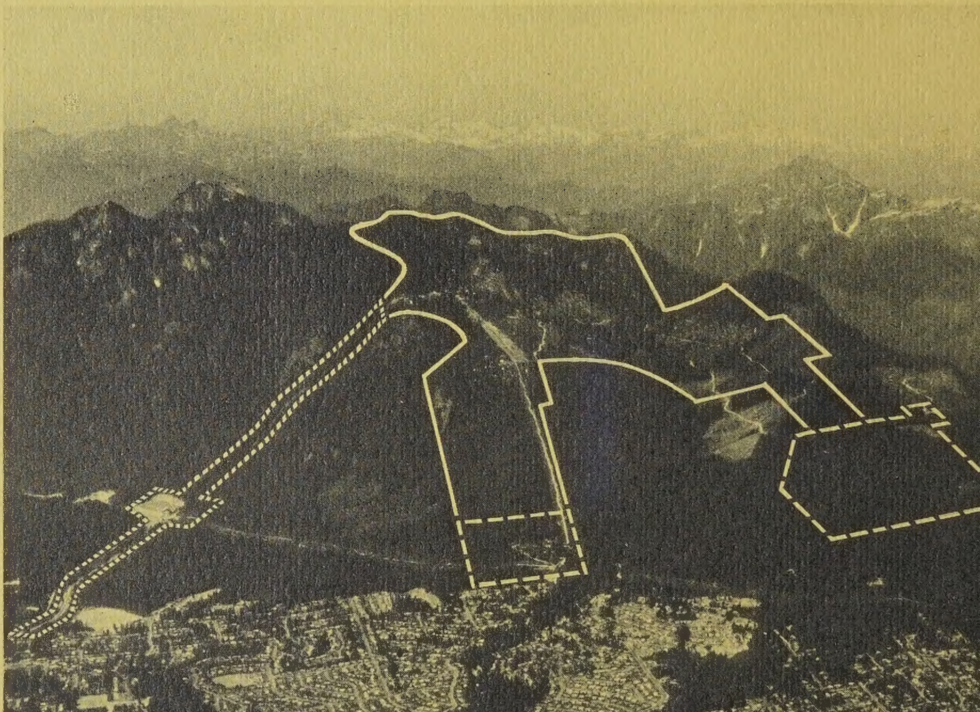
(a) Holds Vancouver's unquestioned prime mountain view and visitor attraction location permitting year-round operation.
(b) Owns over 1,500 acres of real estate, much of which is suitable for regular subdivision (at the base of the mountain) or creation of an alpine village (at the top plateau)—illustrated on this page.
(c) Has completed the installation of the most modern and extensive complex of lifts and attendant ski facilities available at any area in Western Canada.
(d) Has established itself in the international skiing community through successful hosting of the duMaurier 1970 World Cup Race.
(e) Is geared to design, engineer and install under patent, undersea gardens throughout the world on a direct ownership, joint venture or franchise basis.

Considering these facts, your directors feel that appreciable recovery may be anticipated in the fiscal year ending May 31, 1971.

The leading political figure in Canada, Prime Minister Pierre Elliott Trudeau, and the dominant ski personality in the world, Jean Claude Killy, both visited Grouse Mountain this past year. Your company was honoured to welcome them, along with a number of other dignitaries whose pictures appear toward the end of this report.

The company is pleased to announce that on June 1, 1970, Mr. John Stokes, former Executive Assistant to the President, was appointed General Manager of the mountain division of the corporation.

A closing note must be directed to the general staff who maintained their spirit and goodwill through the trying weather of the winter of 1969-70. Their pride in the company, and the services and facilities it offers the public, is a key factor in being able to assure shareholders of concentrated effort to achieve profitable operation in fiscal 1971.

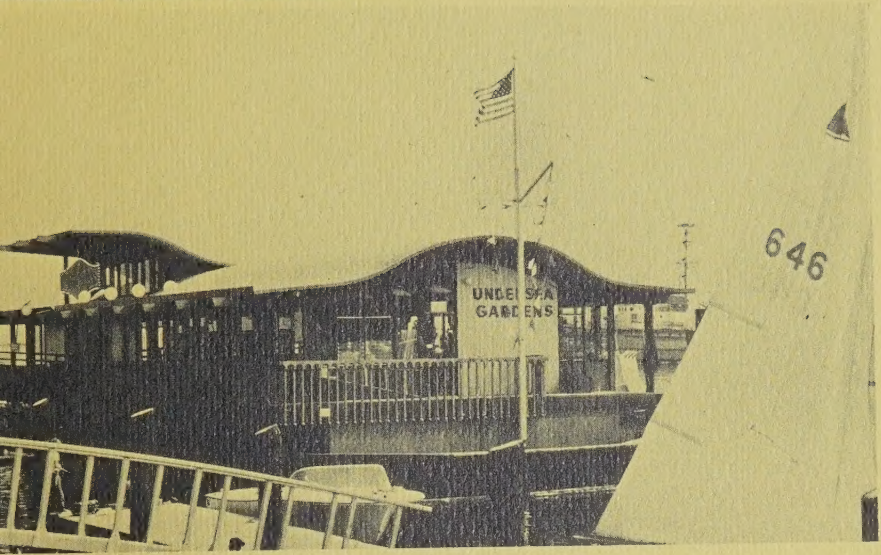


An aerial photo showing company's holdings (within white lined area).

On behalf of the Board of Directors,

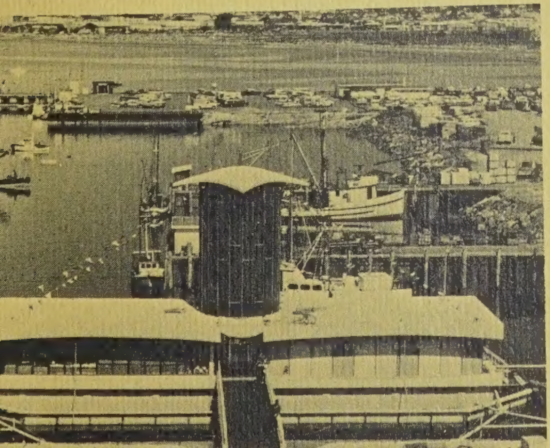
President

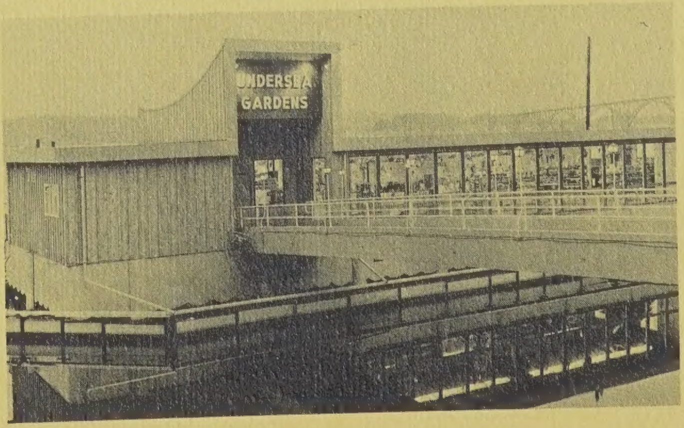
ndersea Garden Locations



Santa Barbara

Victoria





Newport

duMAURIER WORLD CUP

1) Peter Duncan and Keith Shepherd, two top members of Canadian Ski Team, aboard new Peak chair lift to starting gate for duMaurier event.

2) duMaurier trophy winner Alain Penz, of French team, on his winning run in the men's giant slalom.

3) World championship gold medalist Betsy Clifford, Canada's top woman skier.

4) Special equipment like this was used by top skier-photographers to capture the action and excitement of duMaurier events.

5) The start, a crucial moment for every competitor, physically and psychologically.

6) Alain Penz in a moment of elation as he is presented with the duMaurier cup.

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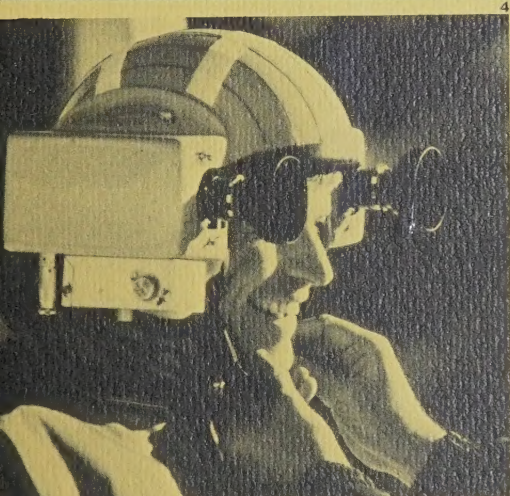
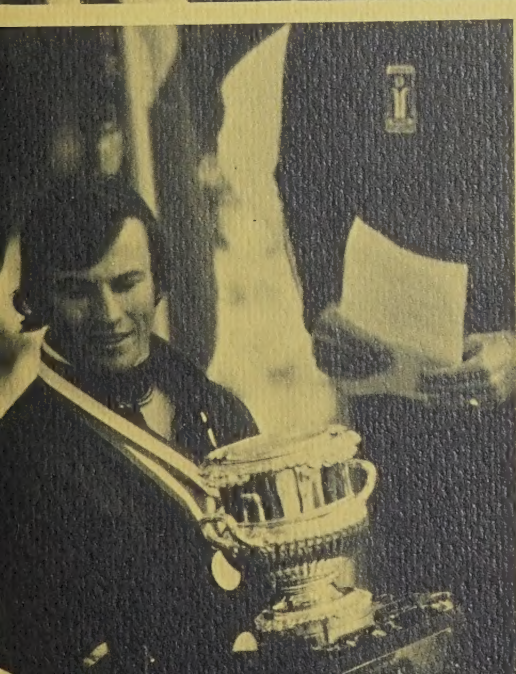




GROUSE MOUNTAIN RESORTS LTD.

Consolidated Balance Sheet May 31 1970 (Note 1)

ASSETS

	1970	1969
CURRENT ASSETS:		
Cash	$ 118,700	$ 87,105
Short term deposit	30,000	—
Accounts receivable	65,462	36,790
Inventories of supplies, at the lower of cost or market	83,658	64,711
Prepaid expenses	18,119	12,105
	315,939	200,711
FIXED ASSETS:		
Buildings, tramway, chairlifts and other mountain equipment, at cost	4,322,646	3,389,798
Undersea gardens vessels, machinery and equipment, at cost	859,685	783,946
	5,182,331	4,173,744
Less —		
Accumulated depreciation	1,161,496	887,527
	4,020,835	3,286,217
Land and land improvements, at cost	402,062	401,652
	4,422,897	3,687,869
PATENTS, at cost less accumulated amortization of $52,102 (1969 — $39,022)	169,464	182,544
UNAMORTIZED DEBENTURE DISCOUNT	28,389	33,359
	$4,936,689	$4,104,483

APPROVED ON BEHALF OF THE BOARD:

Director

Director

LIABILITIES

	1970	1969
CURRENT LIABILITIES:		
Bank loan	$ 20,000	$ 175,875
Accounts payable and accrued liabilities	170,677	303,347
Income taxes payable *(Note 5)*	8,077	9,369
Amount payable within one year on long term debt	486,496	163,076
	685,250	651,667
LONG TERM DEBT:		
Term bank loans, repayable by March 31 1971 — secured by a first fixed and floating charge on the company's assets, less $400,000 (1969 — $75,000) included in current liabilities	—	440,000
7% convertible redeemable sinking fund debentures maturing June 15 1986 *(Note 2)*	631,000	704,000
Notes payable (secured), repayable in equal monthly instalments to 1986, less $11,411 (1969 — $10,991) included in current liabilities	199,853	211,203
Term contracts payable (secured), less $75,085 (1969 — $77,085) included in current liabilities	10,997	86,081
Loans from shareholders *(Note 4)*	48,500	48,500
	890,350	1,489,784
DEFERRED INCOME TAXES *(Note 5)*	47,031	15,947
MINORITY INTEREST IN SUBSIDIARY COMPANIES *(Note 4)*	229,633	227,088
	1,852,264	2,384,486

SHAREHOLDERS' EQUITY

	1970	1969
SHARE CAPITAL *(Notes 3 and 4)*	3,186,393	1,779,362
CONTRIBUTED SURPLUS:		
Premium on 6% first preference shares *(Note 3)*	15,714	5,238
DEFICIT	(117,681)	(64,603)
	3,084,426	1,719,997
CONTINGENT LIABILITY *(Note 5)*		
	$4,936,690	$4,104,483

Consolidated Statement of Earnings and Deficit
For the Year Ended May 31 1970 (Note 1)

	1970	1969
REVENUE:		
Revenue from operations	$1,489,664	$1,655,588
Other income	82,796	26,303
	1,572,460	1,681,891
EXPENSES:		
Operating, general and administrative expenses	1,186,898	1,030,097
Depreciation *(Note 6)*	275,289	259,665
Patent amortization *(Note 6)*	13,080	13,053
Interest on long-term debt	92,091	121,920
Other interest	16,258	5,624
Minority interest in net earnings of subsidiary	2,545	7,078
	1,586,161	1,437,437
EARNINGS (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	(13,701)	244,454
Income taxes *(Note 5)*:		
Current	8,293	114,093
Deferred	31,084	13,360
	39,377	127,453
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	(53,078)	117,001
Extraordinary items:		
Income tax reductions arising from application of loss carry-forward	—	96,461
Vessel relocation expenses	—	(76,692)
	—	19,769
NET EARNINGS (LOSS) FOR THE YEAR *(Note 7)*	(53,078)	136,770
Deficit at beginning of year	(64,603)	(201,373)
Deficit at end of year	($ 117,681)	($ 64,603)

Consolidated Statement of Source and Application of Working Capital
For the Year Ended May 31 1970

	1970	1969
SOURCE:		
Net earnings (loss) for the year	($ 53,078)	$ 136,770
Add —		
Depreciation, deferred income taxes and other non-cash charges	323,666	295,427
Working capital derived from operations	270,588	432,197
Term bank loan	—	100,000
Cash proceeds from issue of common shares	1,087,110	27,000
	1,357,698	559,197
APPLICATION:		
Additions to fixed assets, net of $260,700 financed by issue of shares (1969 — $138,795 financed by issue of shares and term contract)	749,619	376,761
Payment of and current provision for long term debt	526,434	314,114
Dividends paid to minority shareholders of consolidated subsidiary company	—	18,100
	1,276,053	708,975
INCREASE (DECREASE) IN WORKING CAPITAL	81,645	(149,778)
Working capital at beginning of year	(450,956)	(301,178)
Working capital at end of year	($ 369,311)	($ 450,956)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MAY 31 1970

NOTE 1 —*Principles of consolidation:*

The consolidated financial statements include the accounts of the company and all of its subsidiaries. The merger with Pacific Undersea Gardens Ltd. and its subsidiaries, which was completed on June 2 1969, has been accounted for on a pooling of interests basis. Accordingly, the assets, liabilities and shareholders' equity of these companies have been included in the consolidated balance sheet at their book values and the results of their operations for the year have been reflected in the consolidated statement of earnings and deficit. The comparative statements for 1969 have been restated to include similar data for the preceding year, and, because Pacific Undersea Gardens Ltd. and its subsidiaries had a fiscal year end different to May 31, include financial information which was not subject to audit examination.

A reconciliation of previously reported consolidated net earnings for the year ended May 31 1969 and consolidated deficit as at that date with the restated amounts included in the accompanying financial statements is as follows:

	Consolidated net earnings	Consolidated deficit
Amounts as previously reported by Grouse Mountain Resorts Ltd.	$209,788	$17,152
Income tax adjustment in respect of year ended May 31 1969	(7,539)	7,539
Adjusted balances of Grouse Mountain Resorts Ltd. at May 31 1969	202,249	24,691
Consolidated loss and deficit of Pacific Undersea Gardens Ltd. as at May 31 1969	(65,479)	39,912
Restated net earnings and deficit included in accompanying consolidated financial statements	$136,770	$64,603

All inter-company balances and transactions have been eliminated upon consolidation. Current assets and current liabilities in United States currency have been translated into Canadian funds at the rate of exchange in effect at the balance sheet date, other assets and liabilities at historical rates, and items entering into net earnings at the average rate for the year.

NOTE 2 —*Debentures payable:*

Purchase fund requirements for 1970 through 1976 have been met by conversions and redemptions to date. The outstanding debentures are convertible at the option of the holders into common shares of the company, under present conditions at the rate of 431 shares per $1,000 of debentures.

NOTE 3 —*Share capital:*

The following changes took place in share capital during the year ended May 31 1970:

(a) 1,524,477 additional common shares were authorized.

(b) 260,000 common shares were issued in exchange for all of the outstanding common shares of Pacific Undersea Gardens Ltd. In accordance with generally accepted accounting principles surrounding poolings of interests, these shares were deemed to be issued for an amount equal to the book value of the acquired shares, $1,000.

(c) 300,000 common shares were issued to institutional investors at $3.75 per share, for a net consideration of $1,086,110.

(d) $73,000 of debentures were converted into 31,463 common shares, and $1,000 in respect of a debenture tendered for redemption in 1969 was accepted in exchange for 431 common shares.

(e) 38,096 6% first preference shares and 37,080 common shares were issued for stated considerations of $100,002 (including premium of $10,476) and $160,698 respectively in connection with capital development expenditures.

(f) 27,493 6% first preference shares were converted into a like number of common shares.

After the foregoing transactions, the share capital of the company as at May 31 1970 was as follows:

Authorized —

*350,162 6% non-cumulative redeemable convertible (to common shares on a share for share basis up to June 30 1971) first preference shares with a nominal or par value of $2.35 each	$ 822,881
7,500 7% non-cumulative redeemable convertible (to common shares on a share for share basis) second preference shares with a nominal or par value of $1.00 each	$ 7,500
*2,642,338 common shares without nominal or par value	

*after giving effect to applications prior to May 31 1970 for conversion of 1,819 6% preference shares into common shares.

Outstanding —

294,505 6% preference shares	$ 692,087
1,410,052 common shares	2,494,306
	$3,186,393

NOTE 4—*Reserved shares:*

Common and preference shares have been reserved for the following stock options which were outstanding as at May 31 1970:

7,500 7% second preference shares at $1.00 per share, exercisable on or after August 1 1970 but before July 31 1971.

5,000 common shares at $7.50 per share, exercisable as to 2,500 shares before July 31 1970, and as to 2,500 shares on or after August 1 1970 but before July 31 1971.

9,000 common shares at $1.50 per share, exercisable as to 4,500 shares on or after June 1 1970 and prior to June 1 1972, and as to 4,500 shares on or after June 1 1972 and prior to the close of business on June 1 1973.

20,200 common shares at $3.46½ per share, exercisable in the fiscal years ending May 31, as follows: 6,200 in 1971, 5,000 in 1972, 5,000 in 1973 and 4,000 in 1974.

10,000 common shares at $2.60 per share, exercisable in the fiscal years ending May 31 as follows: 4,000 in 1971 and 3,000 in each of 1972 and 1973.

Under the merger agreement with Pacific Undersea Gardens Ltd., the company also issued 32,000 transferable five year warrants which entitled the holders to buy common shares of the company for $4.00 upon surrender of the warrant.

The agreement also calls for the company to issue up to 68,125 common shares at $4.00 per share in exchange for an equivalent par value or outstanding amount of the preference shares (included in minority interest in the amount of $224,000) and shareholder loans, respectively, of Pacific Undersea Gardens Ltd. outstanding at May 31 1969. The exchange may be effected by the company at any time up to five years and thirty days from closing. If the company does not effect the exchange before the fifth anniversary of the closing, the vendors may require the company within thirty days of the fifth anniversary of closing to allot them the 68,125 common shares at $4.00 per share and to cause the preferred shares and shareholder loans of Pacific Undersea Gardens Ltd. to be redeemed, paid off or purchased.

In addition to the above, 271,961 common shares are reserved for the possible conversion of debentures.

NOTE 5—*Income taxes:*

The company follows the tax allocation basis of accounting for income taxes recommended by The Canadian Institute of Chartered Accountants, which relates the provision for income taxes to the accounting income for the period. Accordingly, income taxes otherwise payable by the company and one of its subsidiaries which have been deferred by claiming capital cost allowances in excess of related depreciation recorded in the accounts have been provided for in the accompanying consolidated statement of earnings. Other subsidiaries incurred losses during the year ended May 31 1970 for which no recognition of potential tax reductions has been made in the accounts. These losses and accumulated losses carried forward from prior years, together aggregating $261,682, are available for carry forward to future years.

One of the company's subsidiaries has received a notice of deficiency for U.S. $46,766 from the Internal Revenue Service arising out of an examination of the company's federal income tax returns through March 31 1969. The basis for the deficiency notice is the Internal Revenue Service's contention that the useful lives of certain fixed assets should be 25 years and that the assets do not qualify for investment tax credit. The company disagrees with the Internal Revenue Service and is currently contesting the deficiency. No provision for the possible additional tax liability has been made in the accompanying financial statements.

NOTE 6—*Depreciation and amortization:*

Depreciation of buildings, tramway, chairlifts and other mountain facilities has been calculated at straight line rates ranging from 5% to 20%. The undersea gardens' vessels, machinery and equipment are being depreciated on a straight line basis over ten years, being the estimated economic life of the vessels. In all cases, depreciation has been taken on additions from the time they enter service.

The patents are being amortized in equal annual amounts over the remaining life of the patents.

NOTE 7—*Earnings (loss) per share:*

The basic earnings (loss) per share computations below have been made on a weighted average basis with respect to shares issued in each year.

	1970	1969
Earnings (loss) per share before income taxes and extraordinary items	($.01)	$.46
Earnings (loss) per share before extraordinary items	($.04)	$.21
Net earnings (loss) per share	($.04)	$.25

For the purpose of the above computations it has been assumed that the common shares issued on June 2 1969 to complete the merger with Pacific Undersea Gardens Ltd. had been outstanding as at the beginning of both years (see Note 1).

AUDITORS' REPORT

To the Shareholders of
Grouse Mountain Resorts Ltd.:

We have examined the consolidated balance sheet of Grouse Mountain Resorts Ltd. as at May 31 1970 and the consolidated statements of earnings and deficit and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at May 31 1970 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

August 31 1970
Vancouver, B.C.

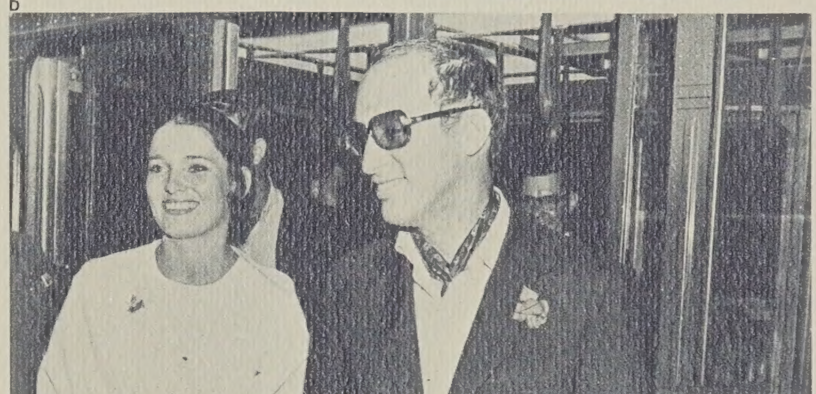
PERSONALITIES 1969/70

1970 Parade of well-known personalities to visit Grouse Mountain literally included something for everybody. From **(A)** Jean Claude Killy, and world champion **(B)** Karl Shranz, to hockey great **(C)** Gordie Howe with his two sons. From our **(D)** Prime Minister to playmate **(E)** Teddi Smith and her tiger. Bandleader **(F)** Nelson Riddle completes the host of more famous personalities who came and enjoyed the mountain's hospitality.

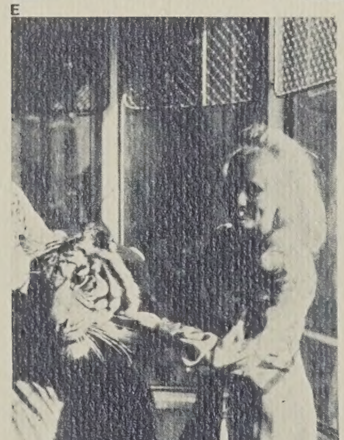
A

B

D



E



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